DOCUMENT RESUME

ED 324 154 RC 017 744

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TITLE Successful Community Development Strategies.
PUB DATE Sep 89
NOTE 18p.
PUB TYPE Information Analyses (070) -- Reports - Descriptive (141)

EDRS PRICE MF01/PC01 Plus Postage.
DESCRIPTORS Case Studies; Community Characteristics; *Community Development; *Cooperative Programs; Corporate Support; *Economic Development; Entrepreneurship; Leadership; On the Job Training; Rural Development; *School Business Relationship; Technical Assistance; *Work Experience Programs

ABSTRACT

This paper sketches several successful community economic development programs that have implications for rural education. Case studies are used to discuss community characteristics that contribute to development success. In Virginia, a Community Certification Program offers statewide business recruitment services to communities that meet program standards. A $500,000 economic development fund in northern Vermont makes loans to promising businesses which cannot get bank funding. In many areas, venture capital clubs and business incubators increase the range of resources available to entrepreneurs. Nash Technical College in Rocky Mount, North Carolina, created thousands of jobs by drawing a firm to that state with the offer of specialized training for its employees. Hocking Technical College in Ohio offers on-the-job training by operating its own businesses, including a sawmill, a hotel, and a retail business. In Canton, Illinois, a library developed a database on the city's resources that eventually served a local business incubator project. In Virginia, businesses donated goods and services to build an industrial park. Public-private partnerships allow businesses to contribute to education in other ways. The Rural Entrepreneurship through Action Learning program in several Southern states helps students start their own small businesses. The paper suggests that successful community development cases are usually innovative, offer real advantages to the firms involved, and often involve an individual leader who serves as a catalyst. These factors are very difficult to replicate but they suggest that good rural development efforts start with leadership, entrepreneurship, and ingenuity. (TES)

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SUCCESSFUL COMMUNITY DEVELOPMENT STRATEGIES

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September 1989

ABSTRACT

This paper documents several cases in which rural communities have had success in changing their economic circumstances. The paper, by analyzing case studies, has determined how certain essential characteristics of the communities, the economic and social circumstances, and the rural development efforts themselves have contributed to the successes. The successful cases 1) usually offer something fresh and innovative 2) offer real advantages to the firms involved, 3) usually involve an institutional innovation, and 4) involve an individual who serves as a catalyst. These factors are very difficult to replicate but suggest that good rural development efforts will start by encouraging the development of such things as leadership, entrepreneurship, ingenuity.

INTRODUCTION

This paper documents a sample of cases in which rural communities have had success in changing their economic circumstances. There is no guarantee that any of these stories can be replicated in other rural communities. But it should be possible, by careful analysis of the case studies, to determine what essential characteristics of the communities, the circumstances, and the rural development efforts themselves might have contributed to the successes. These cases are not limited to those focusing upon education, although the role of education, educators, and educated residents is stressed.

Are there under lying regularities among successful rural

RC017744

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economic development efforts? There are a few but no clear "formula for success" emerges. In fact, it is easier to generalize about strategies which tend to fail.

Many economic development efforts have failed because they were "too little, too late." Examples include such economic development concepts as the industrial park, speculative shell buildings, tax holidays, and almost all forms of industrial recruitment. Today, however, industrial recruitment is highly competitive. According to a recent publication, Shadows on the Sun Belt, "the buffalo hunt is over." There are very few major firm locations and relocations each year, and the number of communities competing for these firm's attention is large and growing.

There are a number of other strategies which are currently enjoying relative success, but perhaps only in those communities which take advantage of them before too many others "get on the band wagon." Included in this group are such strategies as research parks, business incubators, and enterprise zones. Once new economic development technologies become widely adopted, they tend to become a necessity for any community that wants to stay competitive. Over time, then the overall effect is that no one community is any better off. Many struggling communities have invested heavily in industrial parks, and shell buildings only to find them lying empty for many years--a liability rather than an asset because of the forgone opportunities.

There are some regularities among the successful rural development cases, however. The successful cases seem to have the following characteristics.

1) They usually offer something different--something fresh and innovative or at least a variation on the old theme;

2) They offer real, long-term, advantages to the firms involved. They are more than just competitive inducements. They offer the firms something that they can't get elsewhere;

3) They usually involve an institutional innovation which makes a nonmarginal transformation in the community; and

4) They frequently involve an individual, or a small group of individuals, who serve as a catalyst to effectuate the transformation noted above.

These four factors, particularly the last, are very difficult to replicate. They suggest, however, that good rural development efforts will start by encouraging the development of such things as leadership, entrepreneurship, ingenuity.

A TAXONOMY OF RURAL DEVELOPMENT SUCCESSES

The success of any effort should be measured against its goals, and the goals of rural development efforts are not all alike. While most are concerned with developing jobs, and increasing income levels, some are interested in more directly improving economic quality of life. Economic quality of life, while difficult to define precisely, includes housing, health care, education, and public services. Efforts to create jobs and increase income can be further classified by their focus--whether on the recruitment of industry, the support of existing industry, or the nurturing of new, "home grown" industries.

Industrial recruitment, existing industry development, and support for new "home grown" businesses, are usually job orient-

ed. Other goals, such as improvement in average income, or economic diversification receive much less consideration. Tax holidays, industrial parks, speculative shell buildings, and promotional campaigns are usually associated with industrial recruitment. They are designed to reduce firm costs and/or expedite their relocation. It is this author's hypothesis that such strategies have little if any effect in the most underdeveloped communities. At a minimum, they are "ante" in a high stake "poker game" in which less developed communities are new players, with few chips, and a "stacked deck" against them. When they win the occasional "big pot" it has probably nothing to do with their "poker skills."

In Virginia, we have a Community Certification Program, sometimes called community preparedness programs elsewhere. The certification program requires communities to meet certain minimum standards before they can benefit fully from the state's recruitment promotion program. For those communities that work toward certification, the program has benefits even if they never land a major firm, because they learn much about economic development and their community's strengths and weaknesses. However, for those communities which have not, or cannot, become certified, the program leaves them at a distinct disadvantage since the state's marketing efforts are channeled toward the certified communities.

A number of successful development finance programs have emerged recently. The Small Business Administration's 501, 502, 503, and now 504 programs have injected significant amounts of

Federal money into new and expanding businesses. The programs leverage money from local banks for the financing of fixed asset such as land and buildings. The programs have been less successful in rural areas where the size of loans are smaller and the "red tape" raises the effective cost of the loans to a level too high for many purposes. Overall, the program has probably financed a lot of businesses which would have located anyway, and has had a minimal effect on overall levels of investment.

More recently, states and local governments have gotten involved in venture capital programs (United States Small Business Administration, June 1985; Deaton and Johnson; Florida and Kenney). The private venture capital industry has been a phenomenal success, earning rates of return of up to 50 percent. Venture capital provides equity financing for businesses which have an insufficient working capital base to achieve their potential. These are relatively high risk businesses (those which banks won't finance), which the venture capitalist makes less risky by combining careful management, and technical assistance with the equity capital. Firms financed by venture capitalists are several times more likely to succeed than the average new business. Private venture capitalists, rarely invest in companies which are not located close by or in firms with product lines with which they are unaccustomed. This almost completely precludes rural America. Not only are rural communities too remote, but the types of industry which are appropriate in rural areas are quite different from those appropriate to urban areas. Furthermore, venture capitalists usually invest in firms which have proven the marketability of their product and are in the

rapid-growth stage, as opposed to start-up stage which tends to be higher risk and have unknown growth potential. Many states now have state-sponsored, or supported venture capital programs of some type. These programs involve direct or indirect (usually tax credit) financial support, and/or public pension plan investment. The programs are usually for-profit and involve private capital as well as public funds. This approach allows the public funds to leverage more private funds than would otherwise be possible (Weinberg; Deaton, Johnson, Farmer, and Schwartz).

The revolving loan fund is a similar financing alternative which provides growing firms with critical working capital. It differs from venture capital investment in that the fund seldom takes ownership in the industry involved and usually does not earn significant profits. For these reasons, these funds do not leverage as much private funds as the venture capital programs do.

Consider the case of the Economic Development Fund of Northern Vermont. This $500,000 fund is used to make loans to promising businesses in the Northern Vermont Region which cannot get funding from banks. The fund has been able to leverage private funds at a rate of about 7:1. About 13 percent of the funds are for start up businesses and the remaining 87 percent for expansions. In the first three years of operation, the fund wasc redited with creating and retaining over 650 jobs, directly. The average public investment per job has been just over $1000. An unexpected by-product has been the increased willingness of bankers in the area to lend money to growing industries for

working capital.

An interesting variation on the venture capital theme is that of venture capital clubs. These clubs are really not clubs at all, but rather forums designed to bring investors and entrepreneurs together. Communities facilitate these encounters by arranging, promoting, and holding club meetings. Entrepreneurs are invited to make a 15 minute presentation of their ideas before the crowd of venture capitalists. After all the entrepreneurs have had an opportunity to speak, they disperse themselves about the room and the venture capitalists meet with those that have ideas that interest them. The approach has been very successful in bringing ideas and money together in urban areas. Interestingly, it has resulted in a great deal of co-venturing--that is, where two or more venture capitalists contribute to a simple investment. This tends to increase the range of technical and management skills that the entrepreneur can draw upon.

The business incubator is a relatively new idea that has had considerable success (Small Business Administration). The basic idea here is that start-up businesses lack a wide range of essential ingredients. Ideally, they should start small until they perfect their process, yet the costs involved in a small scale operation may doom the business from the beginning. The businesses require space; equipment; management, accounting, and technical assistance; working capital; back office support such as computers, copying, etc.; and training. The business incubator provides all of these more efficiently than the firms could provide them independently. The incubator company may even take

ownership interest in the firm in return for the services provided to it. In 1986 there were an estimated 155 incubators and it is expected that by 1990 there will be between 750 and 1000 facilities. Currently about 14 percent of these incubators are being developed in non-metropolitan counties (Weinberg). There are many examples of successful rural incubators--Monmouth, Illinois; Bennington, Vermont; and Girard, Warren, Meadville, and Ridgeway, Pennsylvania are just a sample. The Girard incubator had 18 tenants as of June 1986 employing about 250 area residents. An interesting aspect of incubators is that the tenants tend to learn by observing each other and sharing problems and solutions.

The major hurdles experienced by rural incubators, relative to their urban counterparts, include inadequate infrastructure, a lack of experience in business development of this nature, a lack of access to specialized services, and a paucity of venture capital and other grants and funds (Weinberg).

Retention and expansion is a term used to describe efforts to support existing industry rather than create or attract new industries. The primary tool of retention and expansion programs is the industry visitation (Lee). Volunteers are trained to survey local businesses and to detect problems and opportunities. When surveyors discover an opportunity to aid an existing industry, economic development specialists are brought in to help out. Consider the case of Washington County, Ohio. During visitations, a chemical company indicated that it intended to go outside the county to find employees to fill 40 job vacancies be-

cause all the local applicants failed a screening test. The local college intervened and set up a training program to train the potential employees. Following completion of the first class the company began hiring from the pool of trained labor.

Job training is an increasingly important aspect of rural economic development because the emerging era of rapid technological change will cause frequent obsolescence of skills. It is estimated that of todays students, 1 in 12 will change careers each year (Inc., Sept. 1989). A well trained productive labor force not only is attractive to new industry, but it also increases the probability that a business will succeed, and it improves the community's quality of life (Currin).

Rural job training must be combined with other conditions in order to succeed (DeLellis). At least one of the following must be present: successful job placement, simultaneous job creation, or job upgrading. Furthermore, many types of job training are difficult to provide in a college setting (because of the need for hands on experience and access to specialized equipment) even though the involvement of a college is essential.

Nash Technical College, in Rocky Mount, NC is credited with contributing to 15,000 jobs in a 14 year period. The process began when the college convinced a firm to locate in Rocky Mount area by offering a specialized training package for its employees. Since then this relationship between the college and businesses, has led to the attraction of several other firms.

Similarly, Rowan Technical College was instrumental in attracting Philip Morris USA to North Carolina. The college helped the company inventory its skills requirement, and design

training programs.

A common attribute of successful training programs is effective on-the-job training. Such rural ventures as Kentucky's Appalshop, which produces video tapes, films, recordings, and photographs, have taken a nucleus of skills, and through on-the-job training and apprenticeships developed a rather large pool of skilled labors. The critical issue in this and similar cases is that the greatest training needs occur when the company has the least ability to provide them. A majority of these ventures have succeeded only because of the efforts of local colleges and subsidized training programs such as the Jobs Training Partnership Act.

Another interesting example of on-the-job training is offered by Hocking Technical College of Nelsonville, Ohio. Hocking operates profit oriented businesses while training students in various skill related to the operation of the businesses. The businesses include a sawmill, a hotel, and a ceramic products wholesaling and retailing business. Hocking serves a rural area where students would not otherwise have access to extensive internships and apprenticeships. In addition, Hocking attracts a majority of its students from outside the area it was designed to serve. The combination of the jobs and income created by its business ventures and the jobs and income created by the activity generated by the school itself make Hocking Technical College the area's second largest employer and one of its most important economic bases.

Public-Private Partnerships include various ventures in

which the interests of private firms in the wellbeing of the community is exploited to improve local conditions. There are numerous examples of successful partnerships (and probably lots of failures as well). It is very difficult to generalize about these approaches, however, strong, visionary leadership is usually an element.

In Canton, Illinios the local library director, concerned about the declining population and economic base, decided that the library had a responsibility to help (Wilson). The library, as a local source of information, decided to develop a local data base on the city's resources, design and publish promotional material, and make their reference section available for economic development activities. In order to provide these services, they found that their reference section had to be expanded to include more types of data and material. The library then helped raise money to hire an marketing director, organized a network of former residents for fund raising, organized seminars, and offered to provide an on site research collection for an incubator that it is promoting.

In Montgomery County Virginia, local builders, building supply companies, and other businesses, donated their goods and services to build a speculative shell building on the county's industrial park. When the shell building was sold in spring of 1989, the investors were repaid for their contributions. They are considering repeating the project at another county site. Interestingly, before the shell building was sold, its presence was credited with attracting two new industries to the county. Industrial prospects which came to see the shell building eventu-

ally purchased other industrial sites and located in the county.

Education is, in general, a key element in longterm economic development efforts. In particular, economic or entrepreneurial education is believed to have a number of complementary effects on rural community development. First, entrepreneurship education better prepares students for the rigors of living in underdeveloped rural areas by helping them understand the issues involved in business location and success. In addition, entrepreneurial education increases the opportunity for highschool graduates to become employed and for communities to have a stronger economic base. Finally, it is beleived that economic education, because it is exciting and practical, will help keep the at-risk students in school. There are a number of particularly interesting success stories related to entrepreneurial education.

In Shelbyville, Tennessee the American Can Foundation collaborated with the Bedford County Educational Development Foundation to supplement the salaries of school teachers (McAndrew). They did this by underwriting their salary while they worked for non-profit and public service jobs during the summer. The effect has been to enhance school teacher salaries, while putting some very good resources to work on community issues. In the long run, the program should also attract and retain high quality teachers, without straining local government budgets as much.

Another type of public-private educational partnership include the adoption of schools by local industries or universities. In this model, industries and universities donate the time of their personnel to enrich the experience of students, they

donate the use of equipment (computers for examples) for educational purposes, or they arrange temporary work assignments for teachers in their firms to give them on the job experience.

The REAL programs (Rural Entrepreneurship through Action Learning) in North Carolina, South Carolina, and Georgia, helps students start an actual small business in their community. Businesses such as construction companies, day-care centers, and restaurants have been started and are now owned and operated by students. They have created new jobs in their community and provided services and products that would not otherwise have been available.

Comprehensive Programs is the final type of program discussed and, as its name suggests, it includes programs which combine features of many of the others above. The typical comprehensive program includes a range of financial services (including fixed asset financing, operating lines of credit, grants, venture capital), a technical assistance program, a technological transfer program, and possibly an incubator facility. There are numerous examples of such programs. Two will be described--Rural Enterprises Inc. (REI) of Oklahoma and The Rural Virginia Development Foundation (RVDF). The first is nonprofit industrial development corporation which has functioned since 1980, while the second is a nonprofit foundation with for-profit subsidiaries which is just being established in Virginia.

REI is an SBA 501(c)(3) industrial development corporation responsible for job creation in Southeastern and South Central Oklahoma. Since 1983, it has been designated as a national demonstration model. The major component programs of REI in-

clude; 1) an innovation evaluation program which relies on specialists to evaluate ideas submitted to REI for consideration; ideas which are considered sound are then supported by REI; 2) a series of arrangements with such agencies as NASA and the U.S. Army Corps of Engineers, in which REI transfers technology developed by the research agencies; 3) financial programs including a fixed asset SBA program, Urban Development Action Grants (UDAG) from the Department of Housing and Urban Development (HUD), and a revolving loan program with funds from the Economic Development Administration (EDA); 4) technical assistance programs, such as one with HUD to package UDAG grants and engineering consulting for clients; 5) a marketing program to promote the products of it's clients; and 6) a business incubator facility. In 1984 REI was credited with the creation and/or retention of 295 jobs.

The RVDF differs from the REI in two primary ways. First, it involves venture capital, as well as more conventional financing. Second, it is much more oriented to private investment. It is developing a for-profit investment corporation called the VEDCORP which will be owned by private investors, and will coventure with private venture capitalists when appropriate. The VEDCORP will be primarily funded by banks, utilities, and major corporations with an interest in the healthy rural economy.

CONCLUSIONS

The stories above represent a small fraction of the successful economic development efforts in rural communities. However, even in this small sample the variety and diversity of these

efforts become obvious. They do have some basic characteristics in common. In most cases there is a pivotal individual or group that envisions the program, and a clear and meaningful advantage created for employers. Many of the programs involve a new institution created to further the goals of the program.

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